

STATEMENT OF PURPOSE

RS18610

This legislation would partially restore the original policy the state established when it instituted the beer tax in 1961 and the wine tax in 1971. Intended to help defray the costs associated with alcohol consumption, those costs have continued to increase in the last several decades while the beer and wine tax has not.

The current tax of 15 cents per gallon of beer would need to be \$1.07 per gallon to have the same purchasing power it had when it was implemented 48 years ago. This legislation would raise the beer tax to the equivalent of 52 cents per gallon or 49% of its original purchasing power which would generate \$11.3 million in new revenue. Rather than keep the tax on a volume basis, however, this legislation would raise that revenue through a 7.8% tax on the wholesale price of beer.

The current tax of 45 cents per gallon of wine would need to be \$2.36 per gallon to have the same purchasing power it had when it was implemented 38 years ago. This legislation would raise the wine tax to the equivalent of \$1.56 per gallon or 66% of its original purchasing power which would generate \$7.9 million in new revenue. Rather than keep the tax on a volume basis, however, this legislation raises that revenue through a 4.5% tax on the wholesale price of wine.

FISCAL NOTE

The fiscal impact of this legislation would be to raise \$19.2 million in new revenue in FY 2010. \$14.3 million of the new revenue would go to the substance abuse treatment fund. The other \$4.9 million in new revenue would go to the general fund.

In statute currently, a portion of the beer and wine tax go to the general fund. A portion of the beer tax goes to the permanent building fund. A portion of the wine tax goes to the Idaho Grape Growers and Wine Producers Commission. In FY 2010 those funds would receive the same in projected revenue they would have received without raising the beer and wine tax. Because the tax is converted from volume to price, the amount those funds receive will increase with the price of beer and wine in future years.

	New Revenue	Total Revenue
Substance abuse treatment fund	14,283,819	15,570,947
General Fund	4,877,485	9,606,799
Permanent Building Fund	(4,483)	1,503,396
Idaho Grape Growers & Wine Producers Commission	9,793	165,319
Total Estimated New Revenue	19,166,614	26,846,461

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